elk petroleum

Quarter 1 2019 Report

Contents

Corporate Summary

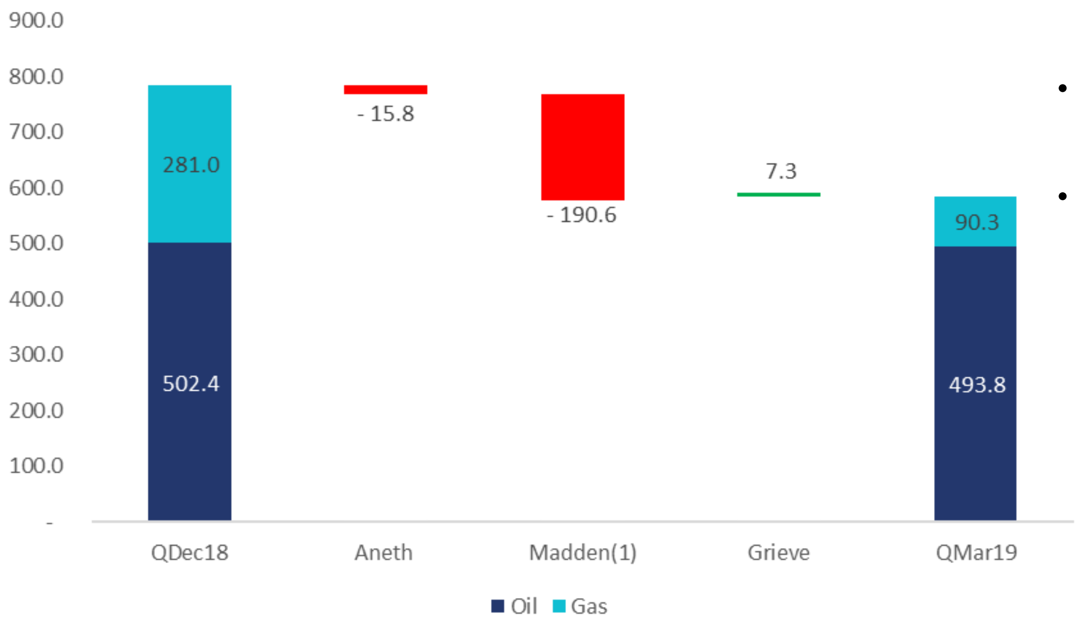
1Q19 focuses on financial management and production growth

- A series of material adverse financial events led to serious financial challenges:
  - Breaches of funds control led to increasing restraints and loan burdens along with the cancellation of a planned equity raise
  - Republic proposal agreed to provide interim funding and Elk's focus has moved to engage alternative longer term funding arrangements
  - Intended use of advisers under the Republic Proposal not continued after first round of engagement with lenders
  - Company currently engaged on two alternatives
- Aneth oil production post-quarter end increased to above 10,000 boepd gross
- Grieve oil production continues build-up; approximately 250 bopd gross at end of the quarter
- Madden insurance offset reimbursements expected in 2Q CY19

Production

Madden fire effects quarterly production

Previous financial quarter (QDec18 to QMar19)



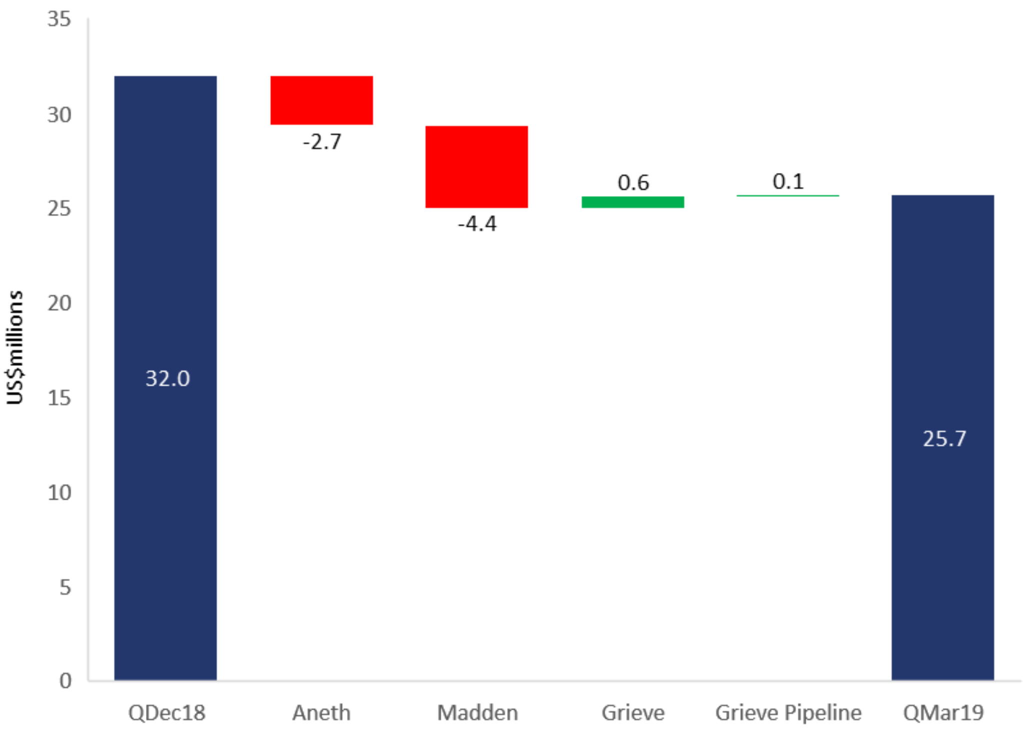
- Aneth production down due to unusually severe winter conditions early in the quarter
- Madden production down due to Train 3 fire in late December
- Grieve production increases

1. *Excludes Sulphur & CO_2*

Sales Revenue

Revenue(1) continues to stay strong despite Madden

Previous financial quarter (QDec18 to QMar19)



- Production Revenue down ~20% over previous quarter mainly due to Madden fire
- Aneth Revenue decrease driven by lower production from severe winter weather and lower average WTI price
- Grieve's first revenue recorded

1. *Unaudited*

Corporate Activity Review

Alternative corporate outcomes and support from existing lenders being sought

- Elk completed refinancing of the Aneth Oil Field and CO_2 EOR Project acquisition. AB EOG agreed with the Company to exchange and cancel all its existing Series A and Series B preferred equity in exchange for US$53.9 million in unsecured term loan notes due May 2022.
- Ankura Consulting Group engaged as restructuring advisor, with Mr. Scott Pinsonnault appointed as the Company's Chief Restructuring Officer.
- Mr James Piccone resigned as a director of Elk Petroleum Limited (EPL) and its subsidiaries and from his executive employment with Elk Petroleum, Inc (EPI). Mr Brad Lingo became the President & Chief Executive Officer of EPI as well as retaining his roles as MD and CEO of EPL.
- The Company secured up to A$4 million in funding from its major shareholder, Republic Investment Management (Republic), via an unsecured short term loan and a proposed partially underwritten Rights Issue, totalling up to approximately A$15 million. The underwriting obligations under the rights issue were subject to a number of conditions, principally relating to concessions and waivers being obtained from the Company's lenders in order to provide breathing space to affect an orderly restructuring and recapitalisation of the business.
- Interim advisors retained by the Company to support refinancing activities were utilised for a limited time, going forward none are currently retained on an active basis.
- At Elk's request its securities were suspended from quotation (Listing Rule 17.2), to allow the Company to maximise the prospects of implementing a successful recapitalisation and business transformation plan, to re-position Elk's financial position for further development of the upside potential of its existing assets.
- Mr Brad Lingo Elk's MD & CEO employment agreement expired on 31 March 2019. Mr David Evans Elk's COO for the past 3 years was appointed interim Chief Executive Officer, commencing 1 April 2019.
- Organisational and other cost reduction measures have been implemented in Australia and the USA.
- Completion and filing of the Company's accounts for the 6 months period ending 31 December 2019 have been deferred pending resolution of the Company's refinancing activities, with timing for the Company's AGM also under review.

Projects

Grieve oil production build up underway & Aneth oil production increases over the quarter, now ahead of budgeted production

Grieve

- During the quarter Grieve Field demonstrated an increasing average oil delivery rate into the Grieve pipeline from 126 bopd in December to 250 bopd at end March, with inter day highs reaching as high as ~300 bopd.
- VSO Petroleum Consultants provided an independent updated reserves report as of 31 December 2018. Grieve 2P 4.1 MMbbl and 3P 5.4 MMbbl oil.
- The Grieve Central Processing Plant has been operating close to 100% efficiency with only some recent minor power and preventative maintenance outages and CO_2 delivery disruption.
- Grieve #1 water disposal well reinstatement repairs will take place early in Q2
- Grieve oil delivery nominations for May into the Enbridge Crude Oil Terminal at Casper, Wyoming currently stand at 7,500 Bbls oil

Aneth

- Production shortfalls due to an extreme winter early in the quarter have been regained and year to date production is ~50 boepd ahead of budgeted production at ~10,000 boepd.
- McElmo Creek Unit CO_2 Recycle Compression Expansion Project has been slowed down to conserve cash. Elk is working with vendors to stage payments and be ready to accelerate the project when required
- Minor oil and water spill dealt with effectively and to the satisfaction of State & Federal authorities

Madden

- The final incident report on the fire that occurred at Train 3 of the company's Lost Cabin Gas Plant in Lysite, Wyoming has been received.
- The Company carries significant property and casualty insurance with a minimal deductible as well as business interruption coverage and has advised its insurers of the incident.
- Production from the Train 2 gas plant and Madden shallows was not impacted by the fire, Train 2 accounts for approximately 30% of Madden Deep production.

elk petroleum

Data tables

Production

Elk's Share of production for quarter ended 31 March 2019 with historical comparatives

Production (post royalty)			Three months ended		Year to Date	
Project	Product	Units	Q1 2019	Q4 2018	Q1 2019	Q1 2018
Aneth	Oil	Bbl	479,548	495,362	479,548	494,440
	Sales Gas	MMSCF	14	14	14	134
Madden	Sales Gas	MMSCF	528	1,672	528	1,679
	Sulphur	Long ton	2,408	9,469	2,408	10,453
	CO_2	MMSCF	n/a	338	n/a	249
	Oil	Bbl	153	106	153	128
Grieve	Oil	Bbl	14,135	6,883	14,135	n/a
Total[1]		BOE	**584,169**	**783,351**	**584,169**	**796,735**

1. *Excludes Sulphur & CO_2*

Production Rates

Average daily production rates (100% project) for quarter ended 31 March 2019 with historical comparatives

Production Rates - gross pre-royalty				100% Project		Remarks
Project	**Product**	**Units**	**Elk Share %**	**Q1 2019**	**Q4 2018**	
Aneth	Oil	Bbl/d	~63%	9,838	9,942	
	Sales Gas	MMSCF/d	~63%	3	3	
Madden	Sales Gas	MMSCF/d	~14%	53	164	Major decline due to fire
	Sulphur	Long ton/d	~14%	249	787	
	CO_2	MMSCF/d	~14%	n/a	28	CO_2 Sales to Denbury Resources Continue
	Oil	Bbl/d	~14%	18	9	
Grieve	Oil	Bbl/d	49%	255	100	Production still in ramp-up

Revenue

Elk's Share of sales and operating revenue[1] for quarter ended 31 March 2019 with historic comparatives

Revenue (US$ million)		Three months ended		Year to Date	
Project	**Product**	**Q1 2019**	**Q4 2018**	**Q1 2019**	**Q1 2018**
Aneth	Oil	23.0	25.7	23.0	28.0
	Sales Gas	0.1	0.1	0.1	-
Madden	Sales Gas	1.5	4.8	1.5	4.0
	Sulphur	0.3	1.3	0.3	1.0
	CO_2	n/a	0.0	n/a	-
	Oil	0.0	0.0	0.0	-
Grieve	Oil	0.6	n/a	0.6	n/a
	Total Sales Revenue	**25.5**	**32.0**	**25.5**	**33.0**
Grieve Pipeline Revenue		0.1	n/a	0.1	n/a
Other Revenue		n/a	n/a	n/a	n/a
	Total Operating Revenue	**25.6**	**32.0**	**25.6**	**33.0**

1. *Unaudited*

Realised Prices

Realised product prices for the quarter ended 31 March 2019 with historic comparatives

Realised Prices (US$/unit)			Three months ended			Three months ended	
Project	Product	Units	Q1 2019	Q4 2018	Units	Q1 2019	Q4 2018
Aneth	Oil	$/Bbl	48.0	51.8	$/boe	48.0	51.8
	Sales Gas	$/MSCF	7.0	9.2	$/boe	42.0	55.2
Madden	Sales Gas	$/MSCF	2.8	2.9	$/boe	16.9	17.1
	Sulphur	$/Long ton	108.7	140.0	$/boe	n/a	n/a
	CO_2	$/MSCF	-	0.0	$/boe	n/a	n/a
	Oil	$/Bbl	43.8	48.7	$/boe	43.8	48.7
Grieve	Oil	$/Bbl	39.7	-	$/boe	39.7	0.0
				Average realised prices[1]	**$/boe**	**43.2**	**39.0**
				Dated NYMEX WTI[2]	**$/bbl**	**54.8**	**59.0**

1. Excludes Sulphur & CO_2
2. Spot Pricing, Excludes Customer Differential

Developments

Grieve Project and Greater Aneth Field daily oil production increases during the quarter

Development Activities	
Aneth	Aneth Oil Production is currently averaging 10,015 gross barrels of oil equivalent per day. With production losses due to extreme winter weather and unusually low temperatures earlier in the year now being restored our year to date average production is 64 barrels of oil per day ahead of budgeted production. McElmo Creek Unit CO_2 Recycle Compression Expansion Project is being slow paced in order to preserve corporate cash flows. Elk is working with vendors to suspend the project. The objective is to retain as much value as possible at reinitialization of the project, while minimizing future payments. Concurrently right-of way staking and biological/archaeological surveys have progressed and air permit approvals submitted with approvals pending.
Grieve	Oil delivery into the Grieve pipeline increases over the Quarter from 126 bopd in December to 210 bopd at end April. Elk reserves auditors VSO Petroleum Consultants provided an updated reserves report as of 31 December 2018. Grieve 2P 4.1 MMbbl and 3P 5.4 MMbbl oil. 2P reduced by some 400,000 bbl from June 30 2018 due to slower CO_2 flood response that likely points to a larger in-situ gas cap and slightly smaller oil leg.
Madden Deep	A full incident investigation into the Train 3 fire has been completed, the Operator has now advised the Joint Venture that it will likely require a minimum of 9 months to restore Train 3 operations and estimated the cost of repairs at a minimum of US$50 million gross. The Company carries significant property and casualty insurance with a minimal deductible as well as business interruption coverage. The Company estimates that this coverage will cover all of the Company's share of costs to repair the Train 3 Gas Processing Plant. The Operator has begun the implementation of restorative actions. Train 2 gas processing plant continues to run at full capacity providing a third of daily gas production. Elk holds a 14% working interest in the JV
Madden Shallow	Production, processing and sales of gas and minor amounts of condensate from the Madden Shallow field were not interrupted by the Madden Train 3 fire. With the Northern Hemisphere spring the operator ramping up cost effective field operations aimed at optimizing production.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ELK PETROLEUM LIMITED

ABN	**Quarter ended ("current quarter")**
38 112 566 499	**31 MARCH 2019**

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (3 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers (1)	26,380	26,380
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	(1,092)	(1,092)
	(c) production	(16,296)	(16,296)
	(d) staff costs	(2,258)	(2,258)
	(e) administration and corporate costs (2)	(5,176)	(5,176)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	4
1.5	Interest and other costs of finance paid (3)	(100)	(100)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other	210	210
1.9	**Net cash from / (used in) operating activities**	**1,672**	**1,672**

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (3 months) $US'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(225)	(225)
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets - producing assets (capex)	(2,230)	(2,230)
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (deposit reimbursement)	404	404
2.6	**Net cash from / (used in) investing activities**	**(2,051)**	**(2,051)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of: - shares - preferred stock	- -	- -
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes, options or preferred stock	-	-
3.5	Proceeds from borrowings [4,5]	54,162	54,162
3.6	Repayment of borrowings/preferred stock [4]	(53,954)	(53,954)
3.7	Transaction costs related to loans and borrowings	(4,066)	(4,066)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (3 months) $US'000**
3.9	Other		
	- Amount transferred from / (to) Reserve Account as required under the financing arrangement with Benefit Street Partners ("BSP") (6)	485	485
	- Amount transferred from / (to) Aneth Restricted Cash Escrow Account (10)	-	-
3.10	**Net cash from / (used in) financing activities**	**(3,373)**	**(3,373)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	12,443	12,443
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,672	1,672
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,051)	(2,051)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,373)	(3,373)
4.5	Effect of movement in exchange rates on cash held	13	13
4.6	Cash and cash equivalents at end of period	8,704	8,704
	Cash on deposit in USA available for:		
	a) completion of the Grieve Project under the Grieve Term Loan (in addition to item 4.6 above) (6)	73	73
	b) settling rehabilitation obligations of the Aneth Field (in addition to item 4.6 above) (7)	23,083	23,083
	Total cash and cash equivalents at end of the period (including cash on deposits in USA)	**31,860**	**31,860**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $US'000**	**Previous quarter $US'000**
5.1	Bank balances	8,704	12,443
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,704	12,443
	Cash on deposit in USA available for:		
	a) completion of the Grieve Project under the Grieve Term Loan (in addition to item 5.5 above) (6)	73	558
	b) settling rehabilitation obligations of the Aneth Field (in addition to item 5.5 above) (7)	23,083	23,045
	Total cash and cash equivalents at end of the period (including cash on deposits in USA)	**31,860**	**36,046**

6.	**Payments to directors of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	230
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

The amount represents directors' (and their associates) remuneration including salaries and fees.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $US'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
8.1	Loan facilities [(8)]	237,037	237,037
8.2	Credit standby arrangements [(8)]	550	550
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

See footnotes on page 6.

9.	**Estimated cash outflows for next quarter**	**$US'000**
9.1	Exploration and evaluation	-
9.2	Development	2,480
9.3	Production	19,703
9.4	Staff costs	2,242
9.5	Administration and corporate costs	2,237
9.6	Other (provide details if material)	
	- Production assets	6,675
	- Restructuring costs	7,000
9.7	**Total estimated cash outflows** [(9)]	**40,427**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

Footnotes

(1) During the quarter the company received cash from oil sales in Aneth of US$22.2 million. The remainder of cash received during the quarter related to Madden.

(2) During the quarter the company settled Aneth oil swaps / options resulting in realised hedge settlements of US$0.7 million.

(3) During the quarter the Company elected to not pay its preferred equity dividend of US$2.5 million; the dividend was subsequently capitalised. The Company also did not pay its interest of US$4.3 million to the senior loan providers.

(4) During the quarter the Company completed the first-stage of refinancing of the Aneth Oil Field and CO_2 EOR project acquisition funding arrangements put in place in November 2017. AB Energy Opportunities Group agreed with the Company to exchange and cancel all its existing Series A and Series B preferred equity in exchange for US$53.9 million in unsecured term loan notes due May 2022.

(5) During the quarter the company secured up to A$4 million in funding from its major shareholder, Republic Investment Management (Republic) via an unsecured short-term loan. As at 31 March 2019 the Company received US$0.2 million from Republic.

(6) US dollar debt service reserve account controlled by Benefit Street Partners associated with Elk's term loan agreement. Balance at 31 March 2019 was US$73k.

(7) The balance of US dollar restricted escrow cash account associated with Elk's Aneth rehabilitation obligations was US$23.1 million.

(8) The Company has a US$58 million senior secured term loan facility with Benefit Street Partners for the Grieve Project JV restructure. During the quarter the company did not pay: its amortisation equity payment of US$3.4 million & March interest payment of US$0.5m. The outstanding balance as at 31 March 2019 was US$54.4 million.

The Company also has a US$122 million senior term loan with Riverstone Credit Partners, L.P and AB Energy Opportunity Fund, L.P. During the quarter the company did not pay its quarterly amortisation payment of US$3.0 million and quarterly interest payment of US$4.3 million. The outstanding balance as at 31 March 2019 was US$114.0 million.

Further, as part of the Aneth transaction, the company put in place a US$20 million revolving facility with CrossFirst Bank in order to provide working capital support for Aneth. US$0.55 million of the revolving facility supports a letter of credit in relation to Aneth. The outstanding balance as at 31 March 2019 was US$14.5 million.

Additionally, the company has a US$53.9 million unsecured term loan with AB Energy Opportunities Group. The outstanding balance as at 31 March 2019 was US$53.9 million.

The Company also has up to A$4 million unsecured short-term funding available from Republic. The outstanding balance as at 31 March 2019 was US$0.2 million.

(9) Cash outflows for the next quarter will be predominantly funded from positive cash flow from the Aneth Oil Field. Other cash outflows will be funded from from the Madden Gas & CO_2 Field & business interruption insurance proceeds in relation to the fire at Madden, existing cash and the loan from Republic. The impact of hedging relies on oil spot pricing in the future and has not been included.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: *Original version signed*...................................... Date: 3 May 2019
(Company secretary)

Print name: David Franks

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

ELK PETROLEUM LIMITED ABN 38 112 566 499

Table 1 - Summary of petroleum tenements as at 31 March 2019

Project	Location	Lease Reference	Interest
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	49%
Grieve (In & Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	49%
Aneth Unit - Federal	San Juan County, UT	UTU-068927A	62%
McElmo Creek Unit - Federal	San Juan County, UT	UTU-068930A	67.5%
Ratherford Unit - Federal	San Juan County, UT	UTU-068931A	58.6%
Madden Unit (25 leases) - Federal	Natrona County, Wyoming	N/A	9.38% to 12.5%
Madden Unit (67 leases) - Federal	Fremont County, Wyoming	N/A	12.5% to 12.77%
Madden Unit (14 leases) - State	Fremont County, Wyoming	N/A	1.2% to 14.75%

Table 2 - Summary of petroleum tenements acquired in Quarter

Project	Location	Lease Reference	Interest
N/A	N/A	N/A	N/A

Table 3 - Summary of petroleum tenements disposed of in Quarter

Project	Location	Lease Reference	Interest
N/A	N/A	N/A	N/A